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ABSTRACT

Noting the while there may be much support for the principle that families on welfare should have access to 2 years of education and training and then be expected to work, this paper contends that it will be extremely difficult, perhaps impossible, to design a coherent and constructive program within the probable federal budget constraints. In arguing why a 2-year limit, followed by work for welfare, is a bad idea, this document makes the following points: (1) the 2-year plan disregards what is known about the way many families use the Aid to Families with Dependent Children (AFDC) program over time; (2) imposing a 2-year clock from the moment AFDC receipt begins would force recipients to make irrational and inefficient decisions about whether and when to initiate education and training activities; and (3) the structure appears to preclude access to what is likely to be the most promising route out of poverty for a single parent, that is, postsecondary education. The report concludes that an alternative approach that could work, and end welfare as it currently exists in the United States, should involve the restructuring of the JOBS (Job Opportunities and Basic Skills Training) program. Elements in the reconceptualization of the JOBS program are discussed. (SM)

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Preface

This is a slightly modified version of a discussion paper written for the January 1993 Conference on "Welfare Reform in the Clinton Era" co-sponsored by CLASP and the Center on Budget and Policy Priorities. The document was written to suggest that while there may be much support for the principle that families on welfare should have access to two years of education and training and then be expected to work, it will be extremely difficult — and perhaps impossible — to design a coherent and constructive program within the probable budget constraints.

Six months later, the Administration has initiated a process for developing its welfare reform proposals, but there continue to be major uncertainties about the likely directions for the effort. The announcement of the creation of an interagency "Working Group on Welfare Reform, Family Support and Independence" was accompanied by a statement that the group would be guided by four principles underlying the President's vision: Make Work Pay; Dramatically Improve Child Support Enforcement; Provide Education, Training, and Other Services to Help People Get Off and Stay Off Welfare; and Create a Time-Limited Transitional Support System Followed by Work. There are important unresolved policy issues concerning each of the four principles.

This document focuses on the third and fourth principles — education and training, and time-limited assistance followed by work. At this point, it is still uncertain whether the Administration's vision of work will involve creation of public service jobs that pay wages, or will simply involve some form of mandate to work for welfare. However, the apparent lack of any substantial fiscal resources for the welfare reform effort may effectively preclude the consideration of jobs that pay wages and force Administration planners to propose a work-for-welfare approach.

At the same time that the Administration's planning process is proceeding, a number of state policy makers have picked up the idea of a two year limit, or a two year limit followed by work. Some of these state proposals lack the elements of the Clinton vision intended to reduce the need for welfare, i.e., make work pay policies, child support, education and training efforts. Indeed, some of the state proposals are put forward as cost-cutting efforts, without apparent recognition that a broad-based work mandate for AFDC families would cost far more than the current system.

This document addresses why a two year limit, followed by work-for-welfare, is a bad idea. As such, it does not seek to address a number of other issues that will or should be central to the welfare reform debate — what policies need to be put in place to truly "make work pay"; the importance of child support assurance; the need for unemployment insurance reforms; what other changes in the AFDC system need to be a part of a serious welfare reform effort. In months to come, CLASP will be addressing a broad range of issues that will arise in the welfare reform debates. The purpose of this document, however, is to urge those who propose some version of a two year limit followed by work to explore the details, weigh the fiscal and social costs, and consider whether the result would be the best use of the limited resources available to address the circumstances and needs of the families that depend on the welfare system.

The Devil is in the Details:

Key Questions in the Effort to End Welfare as We Know It

Introduction

Since his election, there have been a number of attempts to fill out the outline for welfare reform offered by President Clinton during his presidential campaign. The President's campaign text, *Putting People First*, contained a number of proposals in its vision of welfare reform, including expansion of the earned income credit, an increased minimum wage, and stronger child support enforcement. Most of the public attention, however, revolved around the following two points:

- "Empower people with the education, training, and child care they need for up to two years, so they can break the cycle of dependency; expand programs to help people learn to read, get their high school diplomas or equivalency degrees, and acquire specific job skills; and ensure that their children are cared for while they learn.

- After two years, require those who can work to go to work, either in the private sector or in community service; provide placement assistance to help everyone find a job, and give the people who can't find one a dignified and meaningful community service job."[1]

More recently, an interagency Working Group on Welfare Reform, Family Support and Independence was established. The announcement of the group indicates that it is guided by four principles underlying the President's vision for reform:

> "**Make Work Pay** — People who work should not be poor. They should get the support they need to ensure that they can work and adequately support their families. The economic support system must provide incentives that encourage families to work and not stay on welfare.
>
> **Dramatically Improve Child Support Enforcement** — Both parents have a responsibility to support their children. One parent should not have to do the work of two. Only one-third of single parents currently receive any court-ordered child support. The system for identifying fathers and ensuring that their children receive the support they deserve must be strengthened.
>
> **Provide Education, Training and Other Services to Help People Get Off and Stay Off Welfare** — People should have access to the basic education and training they need to get and hold onto a job. Existing programs encouraged by the Family Support Act of 1988 need to be expanded, improved and better coordinated.

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[1] Clinton and Gore, *Putting People First* (Times Books, 1992) at 165.

Create a Time-Limited Transitional Support System Followed By Work — With the first three steps in place, assistance can be made truly transitional. Those who are healthy and able to work will be expected to move off welfare quickly, and those who cannot find jobs should be provided with work and expected to support their families."

In both the campaign and more recent formulation, there is not sufficient detail to know precisely what the President ultimately envisions for a system with initial access to education and training, followed by work at the two year point. Several different program designs could be envisioned within this framework. One version often discussed would provide that individuals get access to education and training in their first two years of AFDC; then, any subsequent cash assistance would only be provided in return for work, probably in the form of community work experience, i.e., working off the AFDC grant.

In general terms, the idea of two years of education and training followed by a work mandate may seem attractive. To date, however, there has been relatively little attempt to draw out how such a design might actually work. This document seeks to do so. It considers operational questions that would necessarily arise, and concludes that the concept is based on flawed premises, would be complex and costly, and risks unraveling the progress that has been made since states began to implement the Family Support Act. This is because:

- The concept disregards basic facts about length of stay on AFDC. Most AFDC spells last a year or less, though many families have more than one spell. Since most spells don't last two years, most families will never have access to a two year education and training program unless they increase the length of their AFDC spells.

- Imposing a two year "clock" from the moment AFDC receipt begins would force recipients to make irrational and inefficient decisions about whether and when to initiate education and training activities.

- A two year clock would shift JOBS program attention away from individualized assessments and employability planning to a preoccupation with the length of past or current education and training participation.

- The concept appears to preclude access to what is likely to be the most promising route out of poverty for a single parent: postsecondary education.

- Large sums of money, and extensive system resources would be devoted to a "work off the AFDC grant" program. Nothing in existing research suggests that such a program would increase the employability of participating families.

- In program design, a "work off the grant" requirement needs to be either better or worse than private sector minimum wage employment. Both alternatives pose problems. There is no justification for taking a punitive approach to families whose only deficiency is an inability to find employment; yet any structure

preferable to available minimum wage jobs would defeat its purposes and pose severe equity problems.

- At a time when child care is unavailable for many working poor families, there is no justification for committing the next half million or more child care slots to a work-off-the-grant program.

- Despite its cost, a broad-based work mandate for all or most families who have received AFDC for at least two years would ultimately result in a narrower safety net for families with children.

In short, the Two Years/Work Model would be expensive, yet would not accomplish its basic goals.

An alternative framework could implement the Clinton vision while building on the strengths of the JOBS Program and retaining the essential safety net features of the AFDC Program. Key features of an alternative framework could be:

- Targeting JOBS services and mandates to teen parents and families that have been on AFDC for a period of time, e.g., a year.

- Requiring that a family completing the education/training portion of JOBS must enter into a work-related component, such as job search, on-the-job training, work experience, or other work-related activities.

- Providing that once a family enters the JOBS program, an obligation to continue a JOBS activity continues for the duration of AFDC receipt.

This approach would meet the Clinton goals of ensuring that families able to work are expected to do so, but would eliminate the arbitrary "two year" line, better reflect the fact that most use of AFDC is short-term, and provide greater flexibility to states to structure a program that responds to the needs and circumstances of participants. And it would reduce the risk of an already shredded safety net unraveling even further. While any serious approach to reducing the need for welfare assistance will cost money, this formulation is more likely to assure that the money goes to improving the human capital, employability, and well-being of poor families.

I. Why Two Years and Then Work Won't Work

The Two Years/Work Model is often described as having two phases. In Phase I, a family entering AFDC will be offered access (or perhaps required to participate in) two years of education and training. Then, at the two year point, Phase II begins, access to education and training ends, and the family must work in return for assistance for as long as the family receives AFDC.

The Phase I/Phase II approach seems to operationalize two principles that many people would agree on:

- Many parents entering AFDC lack the education and training needed to get a job in which they can support their family; accordingly, there is a need for an investment in expanded education and training efforts.

- An individual who has completed needed education and training ought to be expected to work if she can do so.

The problem is not with these underlying principles; the problem is that both Phase I and Phase II present design and conceptual issues that will prevent them from accomplishing the goals set out for them.

A. The Two Year Plan Disregards What is Known About How Most Families Use the AFDC Program Over Time.

For many people, the notion that families should have two years of access to education and training and then be required to work, seems to reflect a fair balance between the principles that government should provide the services families need, and that families should not be allowed to receive assistance indefinitely without working. The attraction of a two year limit is that two years seems like a reasonable and substantial period to allow for education and training before a work mandate begins. In practice, however, most families will never receive access to anything approaching two years of education and training unless they greatly extend their usage of AFDC.

It is helpful to begin by appreciating how far we currently are from a system where all AFDC families have access to education and training, let alone access to a two year program. All states are currently required to operate a Job Opportunities and Basic Skills Training Program (JOBS) for AFDC families. However, in the last reported data, state JOBS Programs only involved about 10% to 15% of AFDC families.[2] This is <u>not</u> a reflection of state inability to impose requirements — it appears that a state actively exercising available federal options could mandate participation for close to 80% of AFDC families. Rather, due to limited program resources, the actual number of participating families is only a limited fraction of all AFDC families. Thus, to extend an offer of education and training to all families entering the system would involve a substantial program expansion. But would it make sense?

A Two Year/Work Plan might seem more appropriate if AFDC receipt comported with popular stereotypes, i.e., if most families who began receiving assistance fell into "dependency," and continued to receive assistance indefinitely as a "way of life." In fact, the pattern for most families applying for assistance is precisely the opposite. The majority of AFDC spells appear to be about or less than one year in length.

There has been a great deal of confusion about this point in recent years. One reason is the different picture offered when one looks at point-in-time data for current recipients, as opposed to an examination of all users over time. This is because families with short spells enter and leave more rapidly, while those with longer spells will (by definition) be

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[2] <u>See</u> Greenberg, *Welfare Reform on a Budget* (CLASP, 1992).

more likely to be on AFDC at any point in time. Thus, for example, if one looks at current cases, one finds that 52.6% have been receiving AFDC for less than two years.[3] From this data, one might conclude that about half of AFDC families receive assistance for more than two years, and about half receive for less.

However, if one takes all the families who enter the AFDC Program at a point in time, and looks at their usage over the next number of years, one gets a very different picture. For example:

- In a study drawn from the *Survey of Income and Program Participation* (SIPP), 53.5% of AFDC entrants had exited within 12 months, and 71.5% within 24 months.[4]

- In a recent study, Washington State followed the cohort of families who entered the AFDC Program in FY 86 over the next five years. Of the single parent cases who entered in FY 86, 52% exited within the first year, and another 21% exited in 12-24 months.[5] In other words, almost three-fourths of new entrants exited AFDC within the first two years. For two-parent cases, 70% exited in the first year, and 86% within two years.

- A California cohort study has similar findings. For AFDC-Basic (single parent) families, 60% exited within the first year, and 76% exited within two years.[6] For AFDC-UP families, 70.5% exited within a year, and 84% within two years.

In understanding the dynamics of AFDC use, different methodologies present different information. It is true that many families currently receiving AFDC are in the midst of a spell that will exceed two years in length, but it is also appears true that almost three-fourths of families beginning a spell of AFDC receipt can be expected to exit before reaching the two year point. While both points are accurate, the second is critical to thinking about a time-limited benefits design, because the rules will not just affect people on AFDC today — they will affect everyone who seeks assistance into the future. And if one half to three-fourths of spells do not last two years, then one-half to three-fourths of

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[3] *1992 Green Book, Background Material and Data on Programs Within the Jurisdiction of the Committee on Ways and Means*, WMCP 102-44, at 671.

[4] Ruggles, *Welfare Dependency and Its Cause: Determinations of the Duration of Welfare Spells*, SIPP Working Paper 8908 (1989).

[5] D'Allesandro and Mounts, *The AFDC Programs: Parents in Transition* (Washington State Division of Income Assistance, January 1993). Washington defined an "exit" as ceasing to receive AFDC for at least three months.

[6] Maxwell-Jolly and Warren, *California's Welfare Dynamic* (Senate Committee on Appropriations, Joint Oversight Committee on GAIN Implementation, 1989). California defined an "exit" as ceasing to receive AFDC for at least a month.

those entering the system will not be able to complete a two year education and training plan.[7]

It is true that many who end an AFDC spell return to AFDC at a subsequent point. In tracking families over a six year period, Minnesota found that single parent families averaged 1.25 spells of eligibility, and AFDC-UP families averaged 1.4 separate spells.[8] Washington State found that almost half (48%) of families that exited assistance in FY 86 returned to AFDC over the next five years. California found 50% to return within three years. Thus, families will accumulate longer total time than reflected in individual spells. However, for purposes of thinking about Phase I (or any time-limited AFDC model), the critical point to keep in mind is that most spells are less than two years, but that many families will need to return to AFDC more than once. A system whose services and expectations are designed as if most families receive AFDC continuously is based on erroneous premises.

Suppose a new rule is announced that a family will receive access to education and training only during its first two years of AFDC receipt. What will happen to families entering the AFDC system? There are two major possibilities:

- Families might dramatically extend their lengths of stay on AFDC, in order to get access to the two years of education/training, on the premise that this is a one-time-only chance; or

- Families might continue to exit AFDC just as they currently do, i.e., half within the first year. They will either never begin their two-year education and training programs or they will begin and have them interrupted. In either case, they won't get the two years of education and training envisioned by the plan. If they

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[7] Another source of confusion on the length of AFDC spells is the frequent misinterpretation of the findings in David Ellwood's *Targeting Long-Term "Would-Be" Recipients of AFDC* (Mathematica Policy Research, Inc. 1986). *Targeting* is often cited for the proposition that half of AFDC spells are two years in length, and that one quarter of new recipients will receive AFDC for ten or more years. However, *Targeting* did <u>not</u> measure actual length of AFDC receipt. Rather, *Targeting's* primary focus was to identify the characteristics of individuals most likely to receive AFDC over long periods of time. Toward doing so, it used data available through a longitudinal database, the Panel Study on Income Dynamics (PSID). The PSID contained annual data on family circumstances rather than monthly AFDC case record data. Accordingly, for purposes of identifying longer-term recipients, *Targeting* looked at the amount of AFDC benefits received in a year, and treated each year in which a family received at least one month of AFDC benefits as a year in which AFDC was received. Then, it generated totals for years in which AFDC was received, and used these totals to identify characteristics of long-term recipients.

The often-misunderstood point, however, is that *Targeting* did not seek to, and did not measure total time on AFDC; it only sought to measure years in which AFDC was received. Thus, for example, *Targeting* did not find that 50% of spells lasted for two years; it reported that 50% of spells occurred over two years. A twelve month spell (or an even shorter spell) could easily occur over two years. Similarly, *Targeting* did not conclude that the median duration of AFDC receipt was four years; instead, it found that the median number of calendar years in which AFDC was received was four. To receive AFDC in four calendar years, the family might have received assistance for 48 months, or 4 months, or (more typically) something in between.

[8] Farseth and Kvamme, *Longitudinal Studies of Minnesota AFDC Case Duration* (Minnesota Department of Human Services, 1989).

subsequently return, the system will be forced to either start a two year clock over again, with the same problems, or to say, for instance, that there are now 11 months left in the family's available two years. Neither seems an attractive alternative.

In short, unless families dramatically lengthen their receipt of AFDC, a promise of two years of education and training in the first two years of AFDC receipt will not result in much assistance to most families entering the AFDC system.

It is true, of course, that the expiration of the two years would not preclude a parent from accessing other education and training opportunities, e.g., JTPA or community-based programs available at little or no cost. However, the critical feature of AFDC is that it provides a source of income support for a single parent to make it possible to participate in an education program and still provide for her family's basic needs. Without some source of income, a single parent's ability to participate in an education or training program is likely to be limited at best.

B. Imposing a two year "clock" from the moment AFDC receipt begins would force recipients to make irrational and inefficient decisions about whether and when to initiate education and training activities.

Leaving aside length-of-stay issues, suppose AFDC rules were written to say that a family can only have access to education and training in its first two years of assistance, and must then work off its grant in any future receipt of aid. How would that affect recipient behavior?

Presumably, some group of recipients don't want education and training, at least at the point they begin receiving AFDC. Members of this group would not change their behavior in response to the rules, though they might have serious regrets in later years. Indeed, given that many initial applicants are quite young, an obvious policy question becomes whether it is wise to force parents to make a life-long decision about access to education and training at the point of initial AFDC application. In an administration committed to the principle of life-long learning, this would seem an inconsistent position.

One could, of course, mandate that all new applicants (with appropriate exemptions) begin to participate in an education and training activity immediately after system entry. The problem would still be that the lifetime education and training allotment would be exhausted in the first two years of AFDC, even though more or different training would make sense at a later point.

Just as one group may not want education and training, another group likely does. Here, the question becomes "what message does the system provide?" Is an offer of two years of education and training to be available to anyone whose application for AFDC is approved? If so, isn't there a danger that AFDC application becomes the route for access to education and training support? On the other hand, if there is some preliminary screen, e.g., a job-readiness screen, then isn't the initial promise of access to education and training undercut?

Possibly the biggest group of new applicants are people who may not be sure whether they do or do not want to participate in education and training. This might include, for instance, parents who have just begun a marital separation or divorce, or parents who have recently been employed and just lost their jobs. They may be in temporary crisis, and need some support during the crisis; they may also be confident that, given time, they will be able to reestablish themselves in the labor market. Their problem, however, is that while a stabilization period or their own job search may seem to make sense, the two year clock will be ticking throughout this time. Accordingly, they may well conclude that they should initiate education/training participation, not because it makes the most sense right now, but because this is the only time that they can both receive cash assistance and participate in education and training. This seems a questionable incentive to put into the system.

In short, imposing a two year clock would force families to make major decisions about education and training for one of the worst possible reasons: that due to a federally imposed bureaucratic rule, there is one and only one chance for access to income support in order to further one's education.

C. A two year clock would shift JOBS program attention away from individualized assessments and employability planning to a preoccupation with the length of past or current education and training participation.

Just as a two year clock would often force recipients to make bad decisions, it would have the same effect on program administrators. Many administrators believe a key virtue of the present JOBS Program is that it has departed from a rigid "one size fits all" approach to program services. Instead, case managers and program participants reach agreement on individual employability plans, based on individual circumstances and needs. Neither administrators nor recipients generally have an interest in making a plan take longer than it needs, but the length of activities is not subject to some arbitrary time frame.

In a world of two-year clocks, the focus would often shift from the appropriateness of the activity to the length of the activity.[9] However appropriate, activities that took too long would be precluded. And, time would always be of the essence. Delays in scheduling would mean that valuable education time would be lost. Programs that were readily available would be given preference over arguably more appropriate programs that might not begin for several months.

Moreover, program resources would be constantly diverted to disputes over how to calculate the two year clock. For example, what about delays relating to agency processing time for orientation, assessment, employability planning? Will that time be charged against the individual? What about setbacks relating to illness, child care breakdowns, personal crises? Will there be good-cause extensions? What about instances where, for instance, a high school drop-out is making steady progress over time? Is there a public policy rationale for declaring "Time's Up!" after two years?

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[9] The following discussion will seem disturbingly familiar to anyone who has witnessed the JOBS Program's "20 Hour Rule" in action.

The issue of how to treat "returnees" would be a major one. If close to half of exiters come back, a large number of systems decisions would concern individuals who have had some, but not all of their two years in a previous spell. Does the two year clock begin again? In whole or in part? How long ago must a spell have occurred to not affect present access to education and training?

Conceivably, the system could develop an ornate set of counting, tolling, and good cause rules for calculating when two years begins, is suspended, and ends. But toward what end? There have been no claims that "perpetual students" are a significant problem in the JOBS Program. What is gained by a structure that shifts its attention from outcomes to process, and makes a two year clock a central preoccupation of administrators?

D. The structure appears to preclude access to what is likely to be the most promising route out of poverty for a single parent: postsecondary education.

The two year limit appears to limit or effectively prohibit use of the JOBS Program for the completion of post-secondary education. Indeed, *Putting People First* only makes specific reference to programs to help people learn to read, get high school diplomas or equivalency degrees, and acquire specific job skills. And, the language of the principles guiding the Interagency task force refers to providing people with "the basic education and training they need to get and hold onto **a job**." (emphasis added). The implication would seem to be that the goal is simply basic education for entry-level employment, even though post-high school education may be essential to a single parent trying to earn sufficient income to meet the needs of a family.

Curtailing access to postsecondary education has two serious deficiencies. First, it denies states an option they have had and have exercised under current law: to decide in each state what role should be played in the JOBS Program by postsecondary education. It is not clear why the federal government would want to deny states their current flexibility.

More importantly, the policy would deprive recipients from access to what is likely to be the most promising route out of poverty. Numerous data sources suggest that the best chance for a woman to have above-poverty earnings is to attain a post-secondary education. For example, in 1988, the median annual income of a full time female worker age 25 and over with one to three years of high school was $13,104 with four years of high school, earnings rose to $16,810; with four years of college, earnings rose to $25,187. At each comparable educational level, men's earnings were higher; a woman needed a college education to approach the earnings of a man with four years of high school.[10]

The returns for postsecondary education appear to have increased sharply in recent years. Research by Rebecca Blank indicated that in 1989, average weekly earnings for non-elderly women with less than 12 years of education were $200; earnings for women with 12 years of education were $276; and earnings for women with more than 12 years

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[10] USDE, Office of Educational Research and Improvement, *Digest of Education Statistics, 1990, Table 344*, at 363. In the same year, median annual income of a full time male worker age 25 and over with one to three years of high school was $20,777; with four years of high school, earnings rose to $26,045; and with four years of college, earnings rose to $36,434.

of education were $406. Over the decade from 1979 to 1989, earnings for women with less than 12 years of education were flat, earnings for women with 12 years increased 10%, and earnings for women with more than 12 years of education increased 25%. Yet, even women with more than 12 years of education earned substantially less than men with 12 years of education.[11]

It has become virtually standard wisdom for policy analysts to assert that the returns from education and training programs for welfare recipients are likely to be "modest." To a great extent, this may be because the programs themselves have been modest. There is now convincing evidence that job search programs increase the likelihood that participants will enter employment, but do not generally lead to higher earnings. However, while there have been numerous studies of relatively low cost services, no work-welfare random assignment evaluation has ever sought to measure the impact of allowing AFDC parents to attend community college or complete postsecondary education.

An administration committed to a high-skill, high-wage economy should not wish to preclude single parents from access to the education needed to enter that economy.

E. Large sums of money and extensive system resources would be devoted to a "work off the AFDC grant" program. Nothing in existing research suggests that such a program would increase the employability of participating families.

It is envisioned that after a family reaches the two year point, the family will enter into Phase II, in which the parent or caretaker must work in a community service job as a condition of AFDC receipt. While several work models might be considered, the one frequently talked about is "workfare," i.e., a requirement that the individual work off the family's grant under a formula based on the grant divided by the minimum wage.

There are three key problems with a broad-based workfare program for recipients at the two year point: it will be costly, possibly administratively unmanageable, and there is no evidence that it will contribute to the employability of its participants.

How many people would be affected? At any given point in time, close to half of current recipients have been on AFDC for at least two consecutive years. If prior periods of AFDC receipt are included, then perhaps 60% or more of current recipients have reached the two year point.[12] Based on the current AFDC caseload, this involves something between 2.4 and 3 million families. Assuming very generous exemptions, there would still be somewhere between 1.2 million and 1.5 million families in need of

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[11] Blank, *The Employment Strategy: Public Policies to Increase Work and Earnings (1992), Table 2.* Earnings for men with 12 years of education were $471 a week.

[12] This figure may be conservative. Michigan measured total months of AFDC receipt between January 1, 1978 and December 31, 1987 for all individuals (including children) receiving AFDC in 1986. The state found that 78% of those on AFDC in 1986 had at least 24 months of assistance over that ten year period. Office of Planning, Budget, and Evaluation, Evaluation Section, Michigan Department of Social Services, *Length of Time on Assistance* (October 1991).

workfare placements. Under a less generous exemption structure, 2 million or more families could be involved.

Could workfare placements be generated for this number of participants? There is no parallel in current experience. In September 1991, the entire JOBS Program only involved about 500,000 families, of which probably less than 30,000 were in a workfare activity. Historically, however, a common theme from states has concerned their difficulty in generating large numbers of workfare placements that are not make-work and do not result in displacement of other employees or positions. Generating a million legitimate new positions without displacement seems difficult to imagine.

What would it cost? It is impossible to be sure, but a very conservative estimate is an annual cost of $3000 per workfare participant, assuming that most participants did not receive child care assistance, and the child care assistance per participant was quite inexpensive.[13] If child care costs are higher — and there is much reason to believe they would be — the average cost would be far in excess of $3000 per participant. However, even at that conservative estimate, the annual cost of the workfare component would be something between $3 and $5 billion.

What would this $3 to $5 billion accomplish? In terms of increasing employability, quite possibly there would be no effects. The existing random assignment literature on community work experience programs offers no reason to believe that a workfare program has any positive impact on the employment rates or earnings of participating families.[14] In those instances where the Manpower Demonstration Research Corporation has sought to measure the impact or added impact of CWEP activities in work programs, the findings have been:

- No impact on employment or earnings for AFDC recipients in West Virginia.
- No impact on employment or earnings for AFDC-UP recipients in West Virginia.
- No impact on employment or earnings for AFDC recipients in Cook County.

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[13] These assumptions are based on available but inadequate data. In the last six months of FY 91, according to CLASP calculations from state reports to the federal government, the average monthly cost of a CWEP slot appeared to be $181.20, excluding child care. See Greenberg, *Welfare Reform on a Budget* (CLASP, 1992). This would translate to $2174 annually. CLASP also calculated average state spending for families receiving paid child care assistance in September 1991 as about $237 per family per month. Assuming a 30% child care utilization rate, the additional child care cost per participant would be $853 annually, for a total of $3027.

Actual current costs (and for that matter, costs in September 1991) may be different, because the federal government has not released more recent information on the numbers of JOBS participants, CWEP participants, or JOBS child care utilization, and because there continue to be concerns about the reliability of the published data.

[14] The following discussion of CWEP impacts in MDRC studies is drawn from Greenberg, *Community Work Experience: Research Suggests Little or No Effect on Employment and Earnings for AFDC Families*, Testimony Submitted to the Health and Welfare Committee, Vermont House of Representatives (1992). Interested persons wanting the complete discussion should contact CLASP for a copy of the testimony.

- No impact on employment or earnings for AFDC-UP applicants in San Diego.
- No impact on employment or earnings for AFDC applicants in a weak economy in San Diego.
- A statistically significant impact for AFDC applicants in a strong economy in San Diego.

Taken together, these results suggest, at minimum, that a broad-based work program for all persons who have received AFDC at least 24 months is not likely to have much if any impact on employment or earnings for those families. Certainly, there are unresolved questions in the CWEP research, and a continuing workfare obligation of the magnitude and duration being discussed has not been attempted. Nevertheless, from the available research, there is no reason to assume it will improve the employment prospects of participants.

One should be particularly concerned because the program will be so poorly targeted. In theory, states currently target their workfare programs to families who might benefit from an unpaid work experience, e.g., families with little or no work experience. Here, however, states would be doing no such targeting. Instead, the rules would apply to everyone (unless exempt) who reached the two year point. The rules would apply, for example, to someone who has just completed two years of education and training, but has not been able to find a job.

The rules would also apply to an individual who is newly applying for assistance, but has received AFDC for two years in the past. Consider, for instance, Ms. Smith, who received AFDC in 1993 and 1994, was employed throughout 1995, and has just been laid off. When she returns to AFDC in 1996, she will immediately be placed in workfare, because her two year clock expired, even though there is no reason to believe she needs or would benefit from an unpaid work experience at that time. Or, consider Ms. Jones, who received AFDC in 1993 and 1994, married and left assistance in 1995, and returns in 1997 after her marriage break-up. She may need a particular education or training program to better succeed in the workforce, but she will be placed in workfare. As these examples suggest, there will be numerous variations in which an employment/training counselor would likely prescribe some other activity, but the system mandate will be workfare.

Often, a key reason for a work experience program is to expose persons with little or no work history to the world of work. But available data from several states suggests that most AFDC applicants have been employed in the past year, as have 35-40% of recipients. For families with recent work experience, there is even less reason to believe that a workfare program will contribute to future employability.

In short, under Phase II, the federal government would be committing $3 to $5 billion a year to a program which, based on evidence to date, shows no evidence of impacts on improving employability and which in many cases seems obviously inappropriate. It does not seem like a good use of money.

F. In program design, a "work off the grant" requirement needs to be either better or worse than private sector minimum wage employment. Both alternatives pose problems. There is no justification for taking a punitive approach to families whose only deficiency is an inability to find employment; yet any structure preferable to available minimum wage jobs would defeat its purposes and pose severe equity problems.

A "work off the grant" program necessarily must be worse than, the same as, or better than available minimum wage jobs. Problems will arise in any case.

A "pure" workfare placement has a structure worse than the worst minimum wage job. This is because the family is, in effect, working for minimum wage, but not getting credit counting toward social security, unemployment insurance, or the earned income tax credit. And, depending on program details, there may be no sick pay, vacation pay, employee health coverage, or other aspects of employee status.

The obvious question is why should government policy be designed to treat single parents who are willing to work worse than they would be treated in the worst minimum wage job? Recall that workfare participants are not people who have failed to "play by the rules"; by definition, they will generally be people who have complied with JOBS mandates, but who have reached the point of having accumulated more than two years of AFDC. If they are willing to work — as demonstrated by their willingness to participate — why should they remain poor simply because neither they nor the government can find a job for them in the private sector economy?

This argument might lead one to make improvements in the workfare package, i.e., to have these earnings count toward the earned income credit, etc. But if the conditions of work are improved, the opposite problem arises: at some point, the work conditions become the same or better than that available in minimum wage employment. Then a serious equity problem arises: how can a system be justified in which many people are unemployed, or lack child care and health care in employment, while employment is guaranteed only for families who have received AFDC for at least two years? And, for families whose private sector prospects are often likely to be minimum wage or near-minimum wage employment, how much of a deterrent will result from the specter of a public sector work obligation that may be better than available private sector jobs?

It is hard to see an escape from this paradox. One possible escape would occur if health care, child care, and guaranteed public jobs were made universally available. Short of that resolution, any time-limited benefits system followed by a broad-based work program limited to those at the expiration of the time limit seems destined to either be pointlessly punitive or disturbingly inequitable.[15]

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[15] If in fact, there is an irrevocable commitment to the principle of a work obligation at the two-year point, there are many respects in which the creation of public employment slots paying wages for work would be substantially preferable to CWEP. The focus of this text, however, is on whether the basic concept of a universal, broad-based work requirement at the two-year point would be good policy.

G. At a time when child care is unavailable for many working poor families, there is no justification for committing the next half million or more child care slots to a "work-off-the-grant" program.

To date, there seems to have been limited consideration of the child care implications of the Two Year/Work program. The basic implication is that perhaps the next .5 million to 1 million child care slots supported by the federal government will go to the Phase I and Phase II efforts.

The math is straightforward. Initially, there would need to be substantial expansion of child care for the Phase I education and training effort — recall that at present, the JOBS Program probably only involves 10% to 15% of AFDC families. Then, if there will be 1.5 million workfare slots, a conservative estimate would be 450,000 new families needing paid child care assistance. This estimate is based on the limited available JOBS child care utilization data, from which it appears that about 30% of JOBS participants receive AFDC-assisted child care. The estimate is conservative because 60% of AFDC families have a child under 6, and 83% have a child under 12. If a mandate involves a substantial number of participation hours and extends to parents of young children, it seems quite reasonable to expect higher utilization levels.

One way to appreciate the magnitude of the resultant increase is to note that in the last month where data was available, AFDC-assisted child care was probably only being provided to less than 150,000 families, about 3% of the AFDC population. Thus, it seems that the level of provision of child care to AFDC families would, by the most conservative estimate, need to be quadrupled in order to administer the work-for-welfare program.

At the same time that child care was being expanded to run the work-for-welfare program, many states would continue to have substantial waiting lists for other low income families needing child care in order to work. The troubling result would be that families struggling in low wage jobs outside the welfare system would often be denied child care while governmental child care resources were directed to administering the work-for-welfare program. This raises the question of whether, in an environment of limited resources, does it make sense to devote such massive child care resources to a work-off-the-grant effort when provision of child care to working poor families might make it unnecessary for the families to ever enter the welfare system in the first place?

H. A broad-based work mandate for all or most families who have received AFDC would result in a reduced safety net for families with children.

In the workfare system, some number of parents will fail to comply with program requirements. What will happen to them and their children?

One possibility would be complete loss of assistance; another would be some level of fiscal sanction. The consequences for families will depend on the magnitude of the punishment.

In some respects, the same issue is faced in current law, where families face a fiscal sanction for a parent's noncompliance. However, there will be an important difference in a work component. Program administrators will have to decide whether work slots should have the same work expectations as the private sector, or reduced expectations. If expectations are reduced, one of the key purposes of the slot — to simulate private employment — is undercut. If, on the other hand, employers impose the same expectations as are imposed on other employees, then it follows that some number of AFDC participants will either be fired, or "not retained."[16] What will happen then?

Here, a serious tension will arise between competing goals. On the one hand, program operators might want very strong sanctions to send a signal about the importance of appropriate job performance, and to assure that there is sufficient difference between the "working" benefit level and "not working" benefit level. But, the greater the difference in benefit levels, the lesser will be the safety net for children in families whose parents cannot or do not maintain their workfare positions. Policy discussions often proceed on the fiction that sanctions are directed only against the offending caretaker. The reality is that there will be less money for food, rent, and utilities, and the burden will fall equally on the children. And such results will necessarily occur more often in a program enforcing an ongoing work mandate.

II. The Problem in Summary

The preceding discussion suggests that in developing any version of the Clinton vision premised on a rigid work-off-the-grant requirement at the two-year point, the devil will indeed be in the details. Moreover, there are no modest modifications that can excise the devil. This is because:

- Phase I will fail for some people because they don't receive AFDC for two consecutive years and thus will never receive substantial education and training opportunities intended before the work component begins. It will fail for others because it will force them or the program to make irrational or arbitrary decisions about the desirability and length of education, as the two year limit dominates and distorts all decisions.

- Phase II will be extremely expensive, and will commit billions of dollars that could be invested in education, training, and support of the working poor to a program that demonstrates no evidence of any impact on employability. It will either punish people for the sole offense of receiving AFDC for two years, or result in serious dislocations of the private labor market. And, it will lead to increased sanctions, with concomitant suffering for children.

This discussion suggests that "two years, then work" turns out to be an idea that may sound attractive, but cannot be implemented without having major unintended and undesired consequences, which are likely to wholly undercut the original vision.

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[16] To be clear, I am not suggesting that AFDC recipients, as a group, will be less competent employees than anyone else. I am suggesting, though, that when a private worker is discharged, she still has a safety net through the Unemployment Insurance system or AFDC. When an AFDC worker is discharged, where's the safety net?

III. An Approach that Could Work: "End Welfare as We Know It" through a JOBS Program That Invests in People and Supports Work

The probable reason why the Clinton approach has been so popular is that many of the underlying themes are surely right:

- It is undesirable to have a welfare system in which a parent who is able to work can, in theory, receive assistance indefinitely without ever working.
- Many families receiving AFDC need further education and training to succeed in the workforce.
- After a parent has received the education and training she needs, she ought to work if she is able to do so.

The problem is not in the principles, but in attempting to design a system satisfying them.

There are surely alternative approaches that could satisfy the principles without leading to the problems described above. One possible approach would be to reconceptualize JOBS and the JOBS obligation.

Many states have made tremendous progress since they began JOBS implementation in expanding access to education, training, work-related services, and child care for AFDC families. However, there have been four key problems in JOBS implementation:

- **Insufficient Resources to Involve Most AFDC Families:** In FY 91, only about 10-15% of AFDC families were participating in JOBS each month. This was not because of inability to impose mandates or lack of interested families; it was because states lacked the resources to expand JOBS to more people. The lack of resources had two consequences: families wanting services could not receive them; and states were unable to implement a structure in which JOBS participation was a general expectation of AFDC receipt.
- **A Focus on Participation Rather than Outcomes:** At the federal level, there has been a strong emphasis on the requirement that states meet JOBS participation rates, but virtually no attention to state success in helping families enter employment. A state must provide extensive reporting on participation, and risks loss of federal funds for failure to meet participation rates. In contrast, there has not even been basic reporting of program outcomes, and a state which has significant numbers of participants enter employment may have a harder time meeting participation rates than a state that has longer, more ongoing JOBS participation.
- **Conflicting Statutory and Regulatory Mandates:** Congress and the Department of Health and Human Services have sent states a set of signals about program design, and the signals are often internally contradictory. On the one hand, states are directed to commit the majority of JOBS resources to "target" groups

of those hardest to serve. On the other hand, the easiest way to meet a participation rate is through working with those easiest to serve. And imminent new requirements will set a new contradictory direction by imposing very high participation rates for AFDC-UP families, even though they are most likely to leave AFDC on their own within a year.

- **Lack of Attention to What Happens to Families After Education is Completed:** States have generally made a dramatic shift to human capital development in their JOBS Programs. However, it is often unclear what happens after a family has gone as far as it will go in the education component of the state program. And, there has been relatively little expansion of on-the-job training, work supplementation, job placement and job development components of state programs.

A restructured JOBS Program could address these problems and further the Clinton themes, but in a way that is sensitive to the real dynamics of AFDC receipt. With additional JOBS funding, AFDC could have the following elements:

1. Teen Parents would be subject to participation requirements from the point they enter the AFDC system, on the premise that young, never-married parents with limited education appear the most likely to use AFDC for long periods of time, and they would likely benefit from school completion.

2. For all other recipients, a participation mandate (with appropriate exemptions) would begin after they have been receiving AFDC for some period of time, e.g., one year. (States would continue to have the authority to impose requirements earlier, but the state's participation rate would be based on those who have reached this point).

3. For the group that has reached the designated point, the participation rate would be higher than current law. Instead of the current-law 20 hour rule, a more reasonable definition of "participation" would be developed. Since the program focus would be on those who have been on AFDC for some period of time, the separate JOBS targeting requirements could be eliminated, as could the separate participation rate for AFDC-UP families.

4. For the group that has reached the designated point, the JOBS obligation would continue throughout AFDC receipt. Initially, the participant would have access to education and training. After completion of education and training, the participant would be required to move into a work component. That component could be any of several: OJT, work supplementation, work experience, employment, job search, other work activities approved by the Secretary. At state option, at periodic reassessments, the obligation could involve a return to education or a combination of work and education/training.

5. Exempt persons could continue to volunteer for JOBS services, and states would be obligated to make services available to them.

There are a number of desirable features of this approach:

- It "ends welfare as we know it," because after a clearly designated point, there would be a very high expectation of participation in JOBS or involvement in work. The expectation would be a continuing condition of AFDC receipt.

- It ensures that after education is completed, a work activity follows. However, it does not impose the straight-jacket of a two-year framework, and does not require all states to follow one work design for all people.

- It fosters flexibility and state discretion in program design, and allows states to focus on the goal of helping families enter employment rather than be overwhelmed with the tasks of administering the Two Years/Work system. Since there would be more flexibility on which activity an individual is engaged in at the designated point, there would be less need to devote substantial systems resources to resolving whether the individual had reached the designated point.

- The model builds on existing state JOBS programs, does not require states to reverse directions in mid-stream, but addresses key problems in JOBS — the relative lack of attention to employment placement for persons completing education and training activities and the inconsistent federal directions to states.

A design like this would only make sense in the context of significantly expanded resources for the JOBS Program. It may be politically easy for legislators to advocate expanded mandates, but it seems clear that the primary barrier to expanded participation under current law is the lack of resources. In fact, for a number of states, the major problem in program implementation has not been the inability to generate sufficient participants; it has been the inability to meet the need for child care assistance by AFDC families who want to participate in education and training programs. While the political issue may be one of wanting to "get tough about mandates," the reality is that in many sites, the willingness of individuals to participate exceeds the resources that have been committed to the program.

Necessarily, this approach would cost more than current law, but any attempt to expand JOBS or education, training, and work services will cost more than current law. The issue is whether this is a better use of resources; there is much reason to believe it would be.

The design described above is, of course, not the only possible alternative design. The key point, however, is that as the welfare reform debate moves forward, there is a need to determine which program design can best further the broad underlying principles. That can probably only be determined by filling out the details, and tallying the devils.

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